

**FEDERAL RESERVE BANK  
OF NEW YORK**  
Fiscal Agent of the United States

[Circular No. 6551]  
May 29, 1970]

**Handling of Food Stamp Coupons by Commercial Banks**

*To All Commercial Banks in the  
Second Federal Reserve District:*

Enclosed is a statement prepared by the U. S. Department of Agriculture, entitled "Procedures for Commercial Banks in Handling Food Coupons Under the Food Stamp Program." It supersedes the statement forwarded to you with our Circular No. 5760, dated January 18, 1966. In addition, the instructions set forth in this circular supersede those in Circular No. 5760, and supplement the provisions of Appendix C, entitled "Food Stamp Coupons," to our Operating Circular No. 4, Revised effective September 2, 1969.

The U. S. Department of Agriculture has informed us that beginning June 1, 1970 the Food Stamp Program will be expanded in the Second Federal Reserve District to include, by the end of the calendar year, the five counties of New York City and all of the other counties in New York State that are not now participating in the program. It is estimated that the volume of redeemed food stamp coupons deposited with our Head Office and our Buffalo Branch will increase from about 4.7 million a month at the present time to 14.5 million a month by the end of 1970. Because of this expected expansion in the program, the verification of deposits and the disposal of redeemed food stamp coupons will be centered at our Buffalo Branch commencing June 1, 1970. This change will not affect existing instructions with respect to forwarding deposits of food stamp coupons to our Head Office or Buffalo Branch for payment. It may, however, result in a delay in notifying depositing banks of adjustments for overages and shortages found by our Buffalo Branch in the verification of deposits.

Food stamp coupons (in denominations of 50 cents and two dollars) deposited with and cancelled by commercial banks as indicated in the enclosure may be forwarded to Federal Reserve Banks and Branches for payment. This Bank, as fiscal agent of the United States, will receive at its Head Office and Buffalo Branch any such coupons forwarded to it by Second District member and nonmember clearing banks for credit to their accounts. Each nonmember bank that desires to deposit food stamp coupons directly with this Bank, rather than with a correspondent member bank, should notify us by letter of its arrangement with the member bank to whose account credit is to be given. In addition, the correspondent member bank should also indicate by letter to us its willingness to accept such credit, as well as any resultant debit or credit adjustment entries.

Banks receiving food stamp coupons should handle such coupons in accordance with the Department of Agriculture's procedures set forth in the enclosure. In particular, we should like to call to your attention the requirement that the first bank of deposit cancel each coupon by indelibly marking "paid" or "cancelled," together with the name of the bank or its ABA transit number, on the *face* of the coupon by means of an appropriate stamp, or arrange to have its customers cancel such coupons as provided in section III on page 5 of the enclosure. The endorsement stamp of a bank used on checks should not be used for cancelling food stamp coupons. In addition, the following instructions should be observed:

(OVER)

(a) Redeemed food stamp coupons should be separately sorted according to denomination and arranged, face and top up, in packages of *100 coupons* each (under no circumstances should denominations be mixed). Coupons should be retained until 100 have been accumulated, to complete the required package total. Each package of 100 coupons should be bound with a paper strap and the name of the depositing bank, together with the name and address of the office of that bank at which the package was prepared, should be indicated thereon. If volume warrants, packages of food stamp coupons should be arranged, according to denomination, in bundles consisting of 10 packages (under no circumstances should packages of different denominations be mixed in a bundle). Each bundle of 10 packages should be well secured, preferably by cord or heavy rubber bands, or by a strong paper wrapper (such as kraft stock). Pins, clips, or staples should *not* be used to bind packages or bundles, *nor should the packages or bundles be included in deposits of checks and other cash items.*

(b) In forwarding redeemed food stamp coupons to the Head Office for payment, banks are requested to use our deposit ticket (Form C 71). Banks depositing redeemed food stamp coupons with our Buffalo Branch may continue to use the Branch transmittal letter for food stamps (Form B Mon. 2) until the supply of that form is exhausted. These deposit tickets provide space for showing the total number and total dollar amount of each denomination, as well as the dollar total of the deposit. The last copy of the deposit ticket should be retained by the depositing bank. We will furnish a supply of deposit tickets upon request. When available, we will also provide a supply of special envelopes for enclosing the deposit ticket when making a deposit. The envelope with the deposit ticket enclosed should be affixed to the *outside* of the package or bundle containing the redeemed stamps or, if a canvas bag is used for shipment, tied to the neck of the bag. The envelope containing the deposit ticket should *never* be enclosed within the outer wrapper or container for the coupons.

(c) A bank that has more than one office in a city should consolidate the coupons received at all its offices *within* the city before depositing the coupons with this Bank.

(d) Redeemed food stamp coupons should be forwarded to the office of this Bank that maintains the reserve account or nonmember clearing account to which the proceeds of the coupons are to be credited. However, any bank in our Head Office territory may send its redeemed food stamp coupons to our Buffalo Branch if by doing so it can save time or expense, provided prior notice is given to both of our offices. Immediate credit will be given for redeemed food stamp coupons when received at our Head Office prior to 1:30 p.m. or at our Buffalo Branch prior to 2:30 p.m. Necessary adjustments for overages or shortages will be made under appropriate advice to the sending bank.

(e) Depositing banks should retain customers' deposit slips and any other pertinent records that would assist in substantiating reimbursement claims against the Department of Agriculture for items lost in transit.

It is important that this circular and its enclosure be brought to the attention of the officer or officers at each bank and its branches, if any, who are or may be in charge of the food stamp operation. Questions regarding any of the foregoing should be directed to the Coupon Division at the Head Office or the Food Stamp Section at the Buffalo Branch.

The right is reserved to withdraw, add to, or amend at any time any of the provisions of this circular.

Additional copies of this circular and its enclosure will be furnished upon request.

ALFRED HAYES,  
*President.*

## Commercial Banks

### Procedures for Commercial Banks in Handling Food Coupons Under The Food Stamp Program

#### I BACKGROUND INFORMATION

The Food Stamp Program is operated by the United States Department of Agriculture under the Food Stamp Act of 1964. Under this program, eligible households will exchange an amount of money representing their normal expenditures for food for an allotment of food coupons of higher monetary value. The coupons will be used to purchase commercial brand food at retail food stores which have been approved to accept coupons by the Consumer and Marketing Service (C&MS), U. S. Department of Agriculture.

Approved retailers accepting the coupons will be able to redeem them at face value, for account or payment in cash, through the facilities of commercial banks, including both members and non-members of the Federal Reserve System. Approved retailers may also redeem coupons through approved food wholesalers. These wholesalers will subsequently redeem the coupons through the facilities of commercial banks.

Coupons are engraved documents about the size of U. S. currency and are printed by the Bureau of Engraving and Printing, U. S. Department of the Treasury. Coupons are printed in two denominations: fifty-cent coupons (orange) and two-dollar coupons (blue). Coupons are an obligation of the United States within the meaning of 18 U. S. C. 8. The provisions of Title 18 of U. S. Code "Crimes and Criminal Procedure" relative to counterfeiting and alteration of obligations of the United States and the uttering, dealing in, etc., of counterfeit obligations of the United States are applicable to these coupons. Also, the provisions of Section 14 C, The Food Stamp Act of 1964, relating to the making of false claims against the United States are applicable to transactions involving these coupons.

#### II PROCEDURES

The procedures embodied herein are divided into four sections. Section "A" covers the steps to be taken by authorized retail food stores and wholesale food concerns in the preparation of food coupons for redemption. Section "B" covers the procedures of commercial banks in accepting and handling these coupons. Section "C" covers the procedures to be followed

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by commercial banks in obtaining payment for food coupons. Section "D" covers the procedures to be followed by commercial banks in cases where coupons are lost or damaged in transit, and where the counterfeiting of coupons is suspected.

A Preparation by authorized retail food stores and wholesale food concerns of food coupons presented for redemption:

1 Authorized retail food stores and wholesale food concerns may present food coupons for redemption to commercial banks for account or for cash.

2 Retail food stores, when submitting coupons for redemption, must:

a Submit with the coupons a properly executed and signed Form C&MS-253, "Retail Merchant's Food Stamp Program Redemption Certificate" (Exhibit A shows a properly completed sample of this Form).

b Stamp or otherwise mark the back of each coupon with the name or Food Stamp Program Authorization Number of the store. Retailers may use an ordinary deposit endorsement stamp if the stamp includes the name or Food Stamp Program Authorization Number of the store.

3 Wholesale food concerns, when submitting food coupons for redemption, must:

a Submit with the coupons a properly executed and signed Form C&MS-253-1, "Wholesalers' Food Stamp Program Redemption Certificate" (Exhibit A shows a properly completed sample of this Form).

b Attach thereto (Form C&MS-253-1) the properly signed and executed Form C&MS-253 for each retail food store whose food coupons are included.

c Stamp or otherwise mark the back of each coupon with the name or Food Stamp Program Authorization Number of the wholesaler. Wholesalers may use an ordinary deposit endorsement stamp if the stamp includes the name or Food Stamp Program Authorization Number of the wholesaler.

d List on the reverse of C&MS-253-1 (Exhibit A) the name or Authorization Number of each retailer and the value of coupons represented by each retailer's certificate.

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B Procedures of commercial banks in accepting and handling food coupons presented for redemption:

1 Banks shall not knowingly accept coupons for redemption from unauthorized retail food stores, wholesale food concerns, or any other unauthorized persons, partnerships, corporations, or other legal entities. Banks may require persons presenting coupons for redemption to exhibit their C&MS Food Stamp Program Authorization, Form C&MS-254 (Exhibit A). Any unauthorized person attempting to redeem coupons should be referred to the nearest Consumer Food Programs (CFP) field office of C&MS. The bank should report any such attempt to the same office.

2 Coupons accepted for redemption must be accompanied by a properly executed and signed "Redemption Certificate," Form C&MS-253 (Exhibit A), from retail merchants and Form C&MS-253-1 (Exhibit A) from wholesalers. The receiving bank shall place its stamp, in the space provided, on each Redemption Certificate at the time the coupons are accepted.

3 Coupons accepted for redemption must be cancelled by the first bank receiving the coupons by indelibly marking "paid" or "cancelled" together with the name of the bank or its ABA transit number on the face of the coupons by means of an appropriate stamp. The coupons should not be endorsed by any bank.

4 A portion of a coupon consisting of not less than three-fifths (3/5) of a whole coupon may be accepted for redemption at face value. A portion of a coupon of less than three-fifths (3/5) of a whole coupon will not be accepted for redemption.

C Procedures to be followed by commercial banks in obtaining payment for food coupons:

1 Federal Reserve Banks acting as fiscal agents of the United States are authorized to receive coupons directly from:

- a Member banks of the Federal Reserve System.
- b Non-member clearing banks.
- c Non-member banks which have arranged with a Federal Reserve Bank to deposit coupons for credit to an account of a member bank on the books of the Federal Reserve Bank.

2 Banks in any of the above categories may forward cancelled coupons directly to Federal Reserve Banks for payment in accor-

dance with applicable regulations of the Board of Governors of the Federal Reserve System and instructions of the Federal Reserve Banks. Other banks may forward cancelled coupons through ordinary collection channels.

3 Disposition of Redemption Certificates by the receiving banks. Each bank shall:

a Hold the Food Stamp Program Redemption Certificates received from their depositors until payment is received from the Federal Reserve Bank.

b Forward the Redemption Certificates, after payment is received from the Federal Reserve Bank, to the local Consumer Food Programs (CFP) field office of C&MS. The certificate should not be held for more than one week after payment is received.

The address of the local CFP field office serving your area is:

4 Banks may forward cancelled coupons via fourth-class mail (parcel post), provided that the Food Stamp Program Authorization Number or the name of the retail food store or wholesale food concern is stamped on the coupon rather than handwritten. Under postal regulations, any handwritten entry on any part of a mailed item subjects the entire package to the first-class mail rate. Shipments under fourth-class mail may be expedited through the Special Handling procedure of the U. S. Post Office.

D Procedures to be followed by commercial banks in cases where coupons are lost, damaged in transit or suspected to be counterfeit:

1 While in the course of shipment, cancelled coupons shall be considered to be at the risk of the U. S. Department of Agriculture, if the bank transmitting such coupons has exercised due diligence and taken ordinary care in making the shipment. Reports of loss, destruction or damage shall be given promptly on discovery to all of the following: The local field office of the Consumer and Marketing Service (see address under # II C 3 b); the nearest Secret Service Office; the Post Office or other carrier; and the Secretary of the Treasury, Bureau of Accounts.

2 Claims made by banks for loss of or damage to coupons while in transit must be supported by the following:

a Statement of facts concerning the loss and the bank's procedures for handling and shipping the cancelled coupons.

b Original Redemption Certificates with which the lost or damaged coupons were received by the bank.

c Copies of required notices to the agencies specified in Item 1 above.

d Copy of Cash Letter transmitting the coupons.

e Statement from Federal Reserve Bank or other receiving bank that coupons were not received or were damaged.

3 Instances of suspected counterfeit coupons should be promptly reported to the nearest office of the U. S. Secret Service.

### III OPTIONAL PROCEDURES FOR COMMERCIAL BANKS IN ACCEPTING AND HANDLING FOOD COUPONS PRESENTED FOR REDEMPTION

Banks and their customers can develop specific deposit procedures that best meet their mutual needs. For example: Banks may arrange with customers to sort coupons by denomination and into bundles containing a specific number of coupons before making a deposit.

In addition, banks may arrange to have their customers pre-cancel the coupons. Under such an arrangement, the retailer or wholesaler, in lieu of marking or stamping the back of each coupon, would cancel the face of each coupon using a stamp that contains:

A The Food Stamp Program Authorization Number or the name of the retail store or wholesaler.

(III A)

B The word "Paid" in letters approximately three-fourths (3/4) of an inch high.

C The ABA transit number of the bank.

The face of the stamp should not be larger than 1 1/2 inches by 2 inches.

The above examples illustrate procedures that banks and their customers can develop to reduce the sorting and handling of coupons presented for redemption.

